

**ST. TAMMANY PARISH  
WATER DISTRICT NO. 3  
Covington, Louisiana**

**Financial Statements  
and  
Independent Accountant's Review Report**

**December 31, 2011**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date **JUN 20 2012**

## **TABLE OF CONTENTS**

	<b>Page</b>
<b>1 Independent Accountant's Review Report</b>	<b>2</b>
<b>2 Financial Statements</b>	
<b>Statement of Net Assets</b>	<b>3</b>
<b>Statement of Revenues, Expenses and Changes         in Net Assets</b>	<b>4</b>
<b>Statement of Cash Flows</b>	<b>5</b>
<b>Notes to Financial Statements</b>	<b>6 - 11</b>
<b>3 Independent Accountant's Report on Applying     Agreed-Upon Procedures</b>	<b>12 - 14</b>
<b>4 Louisiana Attestation Questionnaire</b>	<b>15 - 16</b>



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## **Independent Accountant's Review Report**

To the Board of Commissioners  
St. Tammany Parish Water District No. 3  
Covington, Louisiana

We have reviewed the accompanying statement of net assets of St. Tammany Parish Water District No. 3 (the District) as of December 31, 2011, and the related statement of revenues, expenses and changes in net assets and cash flows for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of District management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

In accordance with standards established by the American Institute of Certified Public Accountants, we have also issued our report dated April 27, 2012, on applying agreed-upon procedures for compliance with laws and regulations.

The District's management has not presented the management's discussion and analysis information that the Governmental Accounting Standards Board (GASB) has determined to be required to supplement, although not required to be part of, the basic financial statements.

A handwritten signature in cursive script that reads "LaPorte".

A Professional Accounting Corporation

April 27, 2012

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**ST TAMMANY PARISH WATER DISTRICT NO. 3**

**STATEMENT OF NET ASSETS**

**DECEMBER 31, 2011**

**ASSETS**

**Current Assets**

Cash and cash equivalents	\$ 1,280,607
Revenues receivable - charges for services	19,023
Prepaid insurance	<u>5,405</u>
<b>Total Current Assets</b>	<u>1,305,035</u>

**Restricted Assets**

Cash and cash equivalents	<u>35,715</u>
<b>Total Restricted Assets</b>	<u>35,715</u>

**Noncurrent Assets**

Property, plant and equipment (net of accumulated depreciation)	<u>422,634</u>
<b>Total Noncurrent Assets</b>	<u>422,634</u>

<b>TOTAL ASSETS</b>	<u>1,763,384</u>
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**LIABILITIES**

**Current Liabilities (Payable from Unrestricted Assets)**

Accounts payable	13,657
Due to other governmental entities	<u>19,655</u>
<b>Total Current Liabilities (Payable from Unrestricted Assets)</b>	<u>33,312</u>

**Current Liabilities (Payable from Restricted Assets)**

Meter deposits	<u>35,956</u>
<b>Total Current Liabilities (Payable from Restricted Assets)</b>	<u>35,956</u>

<b>TOTAL LIABILITIES</b>	<u>69,268</u>
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**NET ASSETS**

Invested in capital assets, net of related debt	422,634
Unrestricted	<u>1,271,482</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 1,694,116</u>

See independent accountant's review report

**ST. TAMMANY PARISH WATER DISTRICT NO 3**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**

**FOR THE YEAR ENDED DECEMBER 31, 2011**

**OPERATING REVENUES**

Charges for services	\$ 221,100
Administrative fees for new users	<u>1,627</u>
<b>Total operating revenues</b>	<u><b>222,727</b></u>

**OPERATING EXPENSES**

Advertising	1,648
Bank charges	35
Bookkeeping	6,000
Depreciation	14,902
Dues and subscriptions	250
Engineering Fees	29,540
Insurance	7,415
Legal and professional services	22,220
Licenses and permits	5,236
Office supplies and expenses	978
Postage and delivery	1,398
Repairs and maintenance	58,055
Utilities and telephone	<u>18,576</u>
<b>Total operating expenses</b>	<u><b>166,253</b></u>

**OPERATING INCOME** 56,474

**NONOPERATING REVENUES**

Interest income	<u>1,127</u>
<b>Total nonoperating revenues</b>	<u><b>1,127</b></u>

**CHANGE IN NET ASSETS** 57,601

**DEFICIT IN NET ASSETS BEGINNING OF YEAR** 1,636,515

**DEFICIT IN NET ASSETS END OF YEAR** \$ 1,694,116

See independent accountant's review report

**ST TAMMANY PARISH SEWERAGE DISTRICT NO.4**

**STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED DECEMBER 31, 2011**

<b>Cash flows from operating activities</b>	
Cash received from customers	\$ 222,973
Cash payments to suppliers for goods and services	<u>(137,526)</u>
<b>Net cash provided by operating activities</b>	<u>85,447</u>
<b>Cash flows from non-capital financing activities</b>	
Net disbursements from meter deposits	3,325
Cash provided to other governmental entity, net	(37,704)
Payments for capital acquisitions	<u>(11,571)</u>
<b>Net cash used in non-capital financing activities</b>	<u>(45,950)</u>
<b>Cash flows from investing activities</b>	
Interest received	<u>1,127</u>
<b>Net cash provided by investing activities</b>	<u>1,127</u>
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	40,624
<b>Cash and cash equivalents at beginning of year</b>	<u>1,275,698</u>
<b>Cash and cash equivalents at end of year</b>	<u>\$ 1,316,322</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Operating income	\$ 56,474
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	14,902
Decrease in receivables	246
Decrease in prepaid expenses	4,980
Increase in accounts payable	<u>8,845</u>
<b>Net cash provided by operating activities</b>	<u>\$ 85,447</u>

See independent accountant's review report

**ST. TAMMANY PARISH WATERWORKS DISTRICT NO. 3**  
**Covington, Louisiana**

**NOTES TO FINANCIAL STATEMENTS**

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**INTRODUCTION**

The St Tammany Parish Waterworks District No 3 ("the District") was created by the St Tammany Parish Police Jury ("the Police Jury"), as provided by Louisiana Revised Statute (LSA-R S ) 33 3881. The District is governed by a four-member board of commissioners ("the Board"), who are residents of and own real estate in the District. The Board is appointed by the Police Jury and is responsible for providing water service to users within the boundaries of the District. The water comes from deep artesian wells, and it is distributed through a central water tower. The District is the collection agent for St Tammany Parish Sewerage Districts No 1 and No 4.

Governmental Accounting Standards Board ("GASB") Statement No 14, *The Reporting Entity*, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the District is considered a component unit of the St Tammany Parish Council ("the Council"). In accordance with GASB codification Section 2100, the District is considered a component unit of the parish reporting entity because (1) commissioners of the District are appointed by the Council and (2) the District provides water services to residents within St Tammany Parish. While the District is an integral part of the parish reporting entity, and should be included within the financial statements of that reporting entity, GASB codification Section 2600 provides that a component unit may also issue financial statements separate from those of the reporting entity. Accordingly, the accompanying financial statements present information only on the financial operations of the District and do not present information on the Council, the general government services provided by the Council or on other component units that comprise the St Tammany Parish reporting entity.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. FINANCIAL STATEMENTS**

GASB Statement No 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, provides that special-purpose governments engaged only in business-type activities should present only the financial statements required for enterprise funds. For these governments, basic financial statements and required supplemental information ("RSI") consists of

- 1 Management's discussion and analysis (MD&A) (The District's management has not presented MD&A that the GASB has determined to be required to supplement, although not required to be part of, the basic financial statements )
- 2 Statement of net assets
- 3 Statement of revenues, expenses and changes in net assets
- 4 Statement of cash flows
- 5 Notes to financial statements
- 6 RSI, if applicable

The District is a special-purpose government engaged only in business-type activities

**ST. TAMMANY PARISH WATERWORKS DISTRICT NO. 3**  
**Covington, Louisiana**

**NOTES TO FINANCIAL STATEMENTS**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION**

The District's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the enterprise fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. Governments also have the option of following subsequent private-sector guidance for their respective funds, subject to the same limitation. The District has elected not to follow subsequent private-sector guidance.

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. The operating revenues of the District are water sales and installation fees. Operating expenses for enterprise funds include cost of services, administrative expenses and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**C. CASH, CASH EQUIVALENTS AND INVESTMENTS**

Cash and cash equivalents include amounts in interest bearing and non-interest bearing demand deposits. The District may deposit funds with a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state of the union or the laws of the United States. Under state laws, these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. State law LSA-R S 39:1225 provides that the amount of security shall at all times be equal to 100% of the amount on deposit to the credit of each depository authority, except that portion

of the deposit insured by the United States of America. State law also allows the District to invest in collateralized certificates of deposits, government-backed securities, commercial paper, the state sponsored investment pool, and mutual funds consisting solely of government-backed securities. If the original maturities of investments exceed 90 days, they are classified as investments, however, if the original maturities are 90 days or less, they are classified as cash equivalents. At December 31, 2011, the District did not have any investments with original maturities that exceed 90 days.



**ST. TAMMANY PARISH WATERWORKS DISTRICT NO. 3**  
**Covington, Louisiana**

**NOTES TO FINANCIAL STATEMENTS**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. REVENUES RECEIVABLE**

The District bills customers in the month following the month in which services were provided. Unbilled service charges are accrued for the month of December at year end. Revenues receivable on the accompanying Statement of Net Assets are considered to be fully collectible at December 31, 2011. Uncollectible amounts are recognized as bad debts through the establishment of an allowance account at the time the information becomes available, which would indicate the uncollectibility of an account.

**E. CAPITAL ASSETS**

All capital assets of the proprietary fund are recorded at historical cost. Depreciation of all exhaustible capital assets is charged as an expense against their operations. Preconstruction costs associated with the development of the water system, which include engineering, legal, and interest costs, are capitalized and will be depreciated over their useful lives using the straight-line method.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. The following estimated useful lives are used to compute depreciation:

	<b>Estimated Useful Lives</b>
Infrastructure - Water System	20 - 35 years
Equipment	15 - 20 years

**F. FEDERAL INCOME TAXES**

The District is not subject to federal income taxes in accordance with Internal Revenue Code (IRC) Section 115 regarding income of states, municipalities, political subdivisions, etc.

**ST. TAMMANY PARISH WATERWORKS DISTRICT NO. 3**  
**Covington, Louisiana**

**NOTES TO FINANCIAL STATEMENTS**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**G. ESTIMATES**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, disclosures, and reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

**2. CASH AND CASH EQUIVALENTS**

At December 31, 2011, cash and cash equivalents for both current and restricted assets consisted of the following:

Unrestricted	\$ 1,280,607
Restricted	<u>35,715</u>
<b>Total</b>	<b><u>\$ 1,316,322</u></b>

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits might not be recovered. The District's deposit policy for custodial credit risk conforms to state law, as described in Note 1. At December 31, 2011, the District's deposit bank balances of \$1,308,950, were secured by federal deposit insurance and pledged securities held by the District's fiscal agent bank in the District's name.

**3. RESTRICTED ASSETS**

At December 31, 2011, restricted cash of \$35,715 consisted of amounts held for meter deposits.

**ST. TAMMANY PARISH WATERWORKS DISTRICT NO. 3**  
**Covington, Louisiana**

**NOTES TO FINANCIAL STATEMENTS**

**4. CAPITAL ASSETS**

Capital asset activities for the year ended December 31, 2011, were as follows

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Ending Balance</b>
<b>Capital Assets Not Being Depreciated</b>			
Land	\$ 146,599	\$ -	\$ 146,599
<b>Capital Assets Being Depreciated</b>			
Building	735	-	735
Water Lines	132,992	-	132,992
Water System Improvements	435,353	11,571	446,924
Machinery and Equipment	49,118	-	49,118
Water Storage	139,291	-	139,291
Improvements	1,941	-	1,941
<b>Total Capital Assets Being Depreciated</b>	<b>759,430</b>	<b>11,571</b>	<b>771,001</b>
<b>Less Accumulated Depreciation for:</b>			
Building	735	-	735
Water Lines	132,525	48	132,573
Water System Improvements	165,133	13,454	178,587
Machinery and Equipment	47,671	222	47,893
Water Storage	132,252	1,083	133,335
Improvements	1,748	95	1,843
<b>Total Accumulated Depreciation</b>	<b>480,064</b>	<b>14,902</b>	<b>494,966</b>
<b>Total Capital Assets Being Depreciated - Net</b>	<b>279,366</b>	<b>(3,331)</b>	<b>276,035</b>
<b>Capital Assets - Net</b>	<b>\$ 425,965</b>	<b>\$ (3,331)</b>	<b>\$ 422,634</b>

**5. NET ASSETS**

Net assets for the year ended December 31, 2011, consisted of the following

Invested in Capital Assets	\$ 422,634
Unrestricted	<u>1,271,482</u>
<b>Total</b>	<b><u>\$ 1,694,116</u></b>

**6. BOARD MEMBERS' PER DIEM PAYMENTS**

There were no fees paid to board members during the year ended December 31, 2011

**ST. TAMMANY PARISH WATERWORKS DISTRICT NO. 3**  
**Covington, Louisiana**

**NOTES TO FINANCIAL STATEMENTS**

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**7. REVENUES RECEIVABLE - CHARGES FOR SERVICES**

The District had the following accounts receivable categorized by coverage area for the year ended December 31, 2011

Riverwood	\$ 9,240
Covington Country Club	<u>9,783</u>
Total	<u>\$ 19,023</u>

**8. DUE TO OTHER GOVERNMENTAL AGENCIES**

The District is the collection agent for St. Tammany Parish Sewerage Districts No. 1 and No. 4. Sewerage fees collected that have not been remitted to the sewerage districts at December 31, 2011, are as follows:

<u>Due To</u>	<u>Amount</u>
St. Tammany Parish Sewerage District No. 1	\$ 1,737
St. Tammany Parish Sewerage District No. 4	<u>17,918</u>
Total	<u>\$ 19,655</u>

**9. RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, and natural disasters. The District purchases commercial insurance in amounts it believes sufficient to cover the risks of loss to which it is exposed.

## **Independent Accountant's Report On Applying Agreed-Upon Procedures**

To the Board of Commissioners  
St. Tammany Parish Water District No. 3  
Covington, Louisiana

We have performed the procedures included in the *Louisiana Governmental Audit Guide* and enumerated below, which were agreed to by the management of St. Tammany Parish Water District No. 3 (the District) and the Legislative Auditor, State of Louisiana, solely to assist the users in evaluating management's assertions about the District's compliance with certain laws and regulations during the year ended December 31, 2011, included in the accompanying *Louisiana Attestation Questionnaire*. This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

### **Public Bid Law**

1. Select all expenditures made during the year for material and supplies exceeding \$20,000, or public works exceeding \$100,000, and determine whether such purchases were made in accordance with LSA-R.S. 38:2211-2251 (the public bid law).

A review was made of all disbursements for the year. There were no disbursements for materials and supplies that exceeded \$20,000, nor any disbursements for public works exceeding \$100,000 made during the year.

### **Code of Ethics for Public Officials and Public Employees**

2. Obtain from management a list of the immediate family members of each board member as defined by LSA-R.S. 42:1101-1124 (the code of ethics), and a list of outside business interests of all board members and employees, as well as their immediate families.

Management provided us with the required list including the noted information. We noted no transactions with any of these parties during the year.

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- 3 Obtain from management a listing of all employees paid during the period under examination

There were no employees. Contract labor consisted of a bookkeeper, Kinta Roberts, a billings position, Lynn Swiger, and an engineer, Lewis Galloway.

- 4 Determine whether any of those employees included in the listing obtained from management in agreed-upon procedure (3) were also included on the listing obtained from management in agreed-upon procedure (2) as immediate family members

None of the individuals have a relationship with any of the board members.

#### **Budgeting**

- 5 Obtain a copy of the legally adopted budget and all amendments

Proprietary funds are not required to adopt an annual budget. The District did not adopt a budget in 2011.

- 6 Trace the budget adoption and amendments to the minute book

Not applicable

- 7 Compare the revenues and expenditures of the final budget to actual revenues and expenditures to determine if actual revenues failed to meet budgeted revenues by 5% or more or if actual expenditures exceeded budgeted amounts by 5% or more

Not applicable

#### **Accounting and Reporting**

- 8 Randomly select six disbursements made during the period under examination and

- a trace payments to supporting documentation as to proper amount and payee,

We examined supporting documentation for each of the six disbursements and found that payment was for the proper amount and made to the correct payee.

- b determine if payments were properly coded to the correct fund and general ledger account, and

Payments were properly coded to the correct fund and account.

- c determine whether payments received approval from proper authorities

Inspection of documentation indicated proper approval was received concerning disbursements.

### **Meetings**

- 9 Examine evidence indicating that agendas for meetings recorded in the minute book were posted or advertised as required by LSA-R S 42 1 through 42 12 (the open meetings law)

Meeting dates were posted in advance in accordance with the open meetings law

### **Debt**

- 10 Examine bank deposits for the period under examination and determine whether any such deposits appear to be proceeds of bank loans, bonds, or like indebtedness

There were no proceeds from bank loans, bonds or like indebtedness

### **Advances and Bonuses**

- 11 Examine payroll records and minutes for the year to determine whether any payments have been made to employees, which may constitute bonuses, advances, or gifts

There were no payments noted that may constitute bonuses, advances, or gifts

We were not engaged to, and did not perform an examination, the objective of which would be the expression of any opinion on management's assertions Accordingly, we do not express such an opinion on management's assertions Had we performed additional procedures, other matters might have come to our attention that would have been reported to you

This report is intended solely for the use of management of St Tammany Parish Water District No 3 and the Legislative Auditor, State of Louisiana, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes Under Louisiana Revised Statute 24 513, this report is distributed by the Louisiana Legislative Auditor as a public document



A Professional Accounting Corporation

April 27, 2012

ST. TAMMANY PARISH WATER DISTRICT NO. 3  
LOUISIANA ATTESTATION QUESTIONNAIRE  
(For Attestation Engagements of Government)

\_\_\_\_\_ (Date Transmitted)

\_\_\_\_\_  
\_\_\_\_\_  
LAPORTE, APAC (Auditors)

In connection with your review of our financial statements as of [date] and for the year then ended, and as required by Louisiana Revised Statute 24:513 and the Louisiana Governmental Audit Guide, we make the following representations to you. We accept full responsibility for our compliance with the following laws and regulations and the internal controls over compliance with such laws and regulations. We have evaluated our compliance with the following laws and regulations prior to making these representations.

These representations are based on the information available to us as of (date of completion/representations)

**Public Bid Law**

It is true that we have complied with the public bid law, R.S. Title 38:2211-2296, and, where applicable, the regulations of the Division of Administration and the State Purchasing Office.  
Yes ☒ No ☐

**Code of Ethics for Public Officials and Public Employees**

It is true that no employees or officials have accepted anything of value, whether in the form of a service, loan, or promise, from anyone that would constitute a violation of R.S. 42:1101-1124.  
Yes ☒ No ☐

It is true that no member of the immediate family of any member of the governing authority, or the chief executive of the governmental entity, has been employed by the governmental entity after April 1, 1980, under circumstances that would constitute a violation of R.S. 42:1119.  
Yes ☒ No ☐

**Budgeting**

We have complied with the state budgeting requirements of the Local Government Budget Act (R.S. 39:1301-16), R.S. 39:33, or the budget requirements of R.S. 39:1331-1342, as applicable.  
Yes ☒ No ☐

**Accounting and Reporting**

All non-exempt governmental records are available as a public record and have been retained for at least three years, as required by R.S. 44:1, 44:7, 44:31, and 44:36.  
Yes ☒ No ☐

We have filed our annual financial statements in accordance with R.S. 24:514, and 33:463 where applicable.  
Yes ☒ No ☐

We have had our financial statements reviewed in accordance with R.S. 24:513.  
Yes ☒ No ☐



### Meetings

We have complied with the provisions of the Open Meetings Law, provided in R S 42 1 through 42 13

Yes ☒ No ☐

### Debt

It is true we have not incurred any indebtedness, other than credit for 90 days or less to make purchases in the ordinary course of administration, nor have we entered into any lease-purchase agreements, without the approval of the State Bond Commission, as provided by Article VII, Section 8 of the 1974 Louisiana Constitution, Article VI, Section 33 of the 1974 Louisiana Constitution, and R S 39 1410 60-1410 65

Yes ☒ No ☐

### Advances and Bonuses

It is true we have not advanced wages or salaries to employees or paid bonuses in violation of Article VII, Section 14 of the 1974 Louisiana Constitution, R S 14 138, and AG opinion 79/729

Yes ☒ No ☐

We have disclosed to you all known noncompliance of the foregoing laws and regulations, as well as any contradictions to the foregoing representations We have made available to you documentation relating to the foregoing laws and regulations

We have provided you with any communications from regulatory agencies or other sources concerning any possible noncompliance with the foregoing laws and regulations, including any communications received between the end of the period under examination and the issuance of this report We acknowledge our responsibility to disclose to you any known noncompliance that may occur subsequent to the issuance of your report

\_\_\_\_\_  
Date Secretary \_\_\_\_\_

\_\_\_\_\_  
Date Treasurer \_\_\_\_\_

2/17/11  
Date President 